

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Cedar Valley State Bank, St. Ansgar, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 21, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S RATING:** This institution is rated Satisfactory.

Cedar Valley State Bank promotes economic revitalization and growth in a manner consistent with its asset size, financial capacity and local economic conditions. The bank meets community credit needs primarily through its origination of agricultural/small business and various consumer loans. The bank's loan-to-deposit ratio is reasonable, given the lending opportunities in the assessment area. A substantial majority of sampled loans were made within the bank's assessment area. There is no evidence of prohibited discriminatory lending practices, or policies intended to discourage individuals from applying for loans offered by the bank.

## DESCRIPTION OF INSTITUTION

Cedar Valley State Bank, with total assets of \$10.8 million as of December 31, 1996, is a wholly-owned subsidiary of Newburg Corporation, a one bank holding company. Agricultural lending is the bank's primary focus, although a variety of loan and deposit products are available at the main office in St. Ansgar. Deposit services are also available at the bank's branch facility in Carpenter, Iowa. The bank's competitors for loans and deposits include The Home Trust & Savings Bank - Osage, Northwoods State Bank - Northwood, Farmers State Bank - Grafton, and St. Ansgar State Bank - Ansgar.

## DESCRIPTION OF BANK'S ASSESSMENT AREA

St. Ansgar is located in north central Iowa, approximately 30 miles south of the Iowa-Minnesota state line in Mitchell County. There are three block numbering areas (BNAs) in bank's assessment area, one located in Mitchell County and two in Worth County; 13 townships are located within these BNAs. The following chart depicts the BNAs, townships and counties comprising the assessment area:

BNA	Median Family Income	County	Township(s)
9602	\$28,815	Mitchell	Otranto, Union, Newburg, St. Ansgar, Rock, Mitchell, Cedar
9901	\$28,182	Worth	Grove, Deer Creek (Northern Kensett & Barton Townships)
9903	\$24,853	Worth	Kensett, Barton, Lincoln, Union

Based upon 1990 census data, 9,030 people reside in the assessment area. Minorities comprise 1.4% of the population in the assessment area, of which Hispanics (0.9%) are the largest percentage of the minority population. The median family income of \$27,518 for the assessment area is below the Iowa State median family income of \$31,659 and the nonmetropolitan Iowa State median family income of \$29,303. Of the total families within the assessment area, 18% are low-income; 22% are moderate-income; 26.8% are middle-income; and 33.2% are upper-income. None of the BNAs in the assessment area are low- or moderate-income areas.

Housing within the assessment area is predominantly owner-occupied, single-family. Approximately 72% of the housing stock in the assessment area is owner-occupied, and 87% is single family. The majority (55%) of homes in the assessment area were constructed prior to 1950 and the median housing age is 50 years. The median housing value for the assessment area (\$34,335) is below both the Iowa State median housing value (\$45,519) and the nonmetro state median housing value (\$38,521).

Agriculture and related industries play a major role in the local economy, with corn and soybeans being the primary cash crops. A number of livestock operations are also found throughout the

assessment area; Mitchell County ranks among the top hog production counties in the State of Iowa. According to the Office of Management and Budget, approximately 19% of the Mitchell County workforce (1,098 of 5,706 employed individuals) and 22% of the Worth County workforce (783 of 3,601 employed individuals) is employed in the farm industry). Approximately 45% of the remaining Mitchell County workforce and 43% of Worth County workforce are employed in private service businesses. Major employers in the assessment area are listed in the following chart:

COMPANY	CITY/TOWN	# OF EMPLOYEES	DESCRIPTION
Carroll George, Inc.	Northwood	200	Acoustical plastic
Grain Millers Iowa, Inc.	St. Ansgar	60	Cereal grain milling
Faulk Construction	St. Ansgar	32	Agricultural limestone, crushed stone
Northwood Meats Inc.	Northwood	25	Meat processing & packing
Wold Rim & Wheel Service	St. Ansgar	23	Agricultural wheels
Northwood Co-op Elevator	Northwood	20	Feed products
St. Ansgar Mills Inc.	St. Ansgar	19	Livestock feed & grain

Based upon Iowa Department of Employment Services statistics, the March 1997 unemployment rates for Mitchell and Worth Counties were 3.1% and 4.1% respectively, compared to 3.2% for the State of Iowa.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Management has developed policies, procedures and training programs that support nondiscrimination in lending. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

#### **Loan-to-Deposit Ratio Analysis**

The bank's quarterly loan-to-deposit ratio for the six preceding reporting quarters (September 1995 through December 1996) averaged 61.77%. The following chart depicts the six-quarter average loan-to-deposit ratios of the bank and its closest competitors:

Bank/Location	Asset Size as of December 31, 1996 (\$000s)	Six Quarter Average LTD (%)
Cedar Valley State Bank St. Ansgar, Iowa	10,876	61.77
Farmers State Bank Grafton/Northwood, Iowa	32,869	76.55
Northwoods State Bank Northwood, Iowa	61,694	57.87
St. Ansgar State Bank St. Ansgar, Iowa	79,428	64.15

With consideration given to its asset size, lending opportunities and current economic factors, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

### Lending in Assessment Area

The following chart depicts the geographic distribution of the examination loan sample:

LOAN TYPE	TOTAL LOANS SAMPLED	NUMBER OF LOANS WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL LOANS WITHIN THE ASSESSMENT AREA
Single-Payment	10	9	90
Installment	10	9	90
Real Estate	10	9	90
Commercial/Agriculture	14	13	93
<b>Total</b>	<b>44</b>	<b>40</b>	<b>91</b>

Ninety-one percent of the loans in the examination loan sample were originated within the assessment area. In addition, review of loans made during the six-month period beginning October 1, 1996 through March 31, 1997 revealed that the bank made a total of 242 loans over the period, with 92% (223 loans) of the total number, and 96% of the total dollar amount originations within the assessment area.

The bank's lending within the assessment area exceeds standards for satisfactory performance.

### Lending Analysis Based Upon Borrower Income and Size of Business

The CRA loan sample was also reviewed to determine the bank's distribution of loans among borrowers of different income levels. Because the bank does not generally collect income information, a proxy based on loan amounts was used in the analysis. Based upon income levels throughout the assessment area, a \$2000 loan was chosen as an amount that would be a typical request from low- and moderate-income individuals who may not have access to credit from other sources such as credit cards. Approximately 32 loans in the CRA loan sample of 242 loans (13%) were for original amounts of \$2,000 or less.

Review of the December 31, 1996 consolidated report of condition revealed that agricultural loans and loans secured by farmland comprised approximately 61% of the loan portfolio, followed by 1-4 family real estate lending, which comprised 23% of the portfolio. This is consistent with the nature of the community in which the bank operates. Analysis of the CRA loan sample also revealed that the bank made 115 agricultural loans for a total of \$2,142,059. This resulted in a average loan amount of \$18,626; 26 commercial loans totaling \$432,885 (\$16,649 average loan amount) were also in the sample. Review of June 1996 and June 1995 consolidated reports of condition also indicate that substantially all of the bank's commercial and agricultural lending is to small businesses and small farms.

The loan penetration to borrowers of different income levels and businesses and farms of different sizes is consistent with the demographics and economic conditions of the assessment area. The bank meets the standards for satisfactory performance.

### **Geographic Distribution of Loans**

There are no designated low- or moderate-income geographies located within the assessment area; therefore, this criterion is not rated.

### **Response to Substantiated Complaints**

No complaints were received by the bank regarding its CRA performance since the previous examination.